



Interim Report for  
1 January - 31 March 2007

**FIRST QUARTER IN BRIEF**

- Net sales rose to EUR 28.8 million or 12.5 per cent over the corresponding period previous year (EUR 25.6 million)
- Operating profit was EUR 3.5 million compared to EUR 0.6 million including EUR -1.9 million of non-recurring items first quarter 2006
- Operating profit 12.2 (2.4) per cent of net sales
- Earnings per share were EUR 0.19 (0.03) adjusted for full dilution

**GROUP KEY FINANCIAL FIGURES**

(Figures are unaudited)

EUR 1,000	1.1.–31.3. 2007	1.1.–31.3. 2006	Change %	1.1.–31.12. 2006
Net sales	28.8	25.6	12.5	112.4
Operating profit	3.5	0.6	484.7	0.4
% of net sales	12.2	2.4		0.3
Profit for the period	2.3	0.3	613.3	-0.7
Shareholders' equity	26.6	29.4	-9.6	24.4
Net interest-bearing liabilities	29.5	25.5	15.6	27.5
Capital employed	61.9	62.6	-1.0	58.1
Return on equity, %	36.2	4.6		-2.9
Return on capital employed, %	24.3	5.0		1.2
Equity ratio, %	31.7	35.1		29.9
Net gearing, %	110.9	86.7		112.8
Earnings per share, EUR	0.19	0.03	598.7	-0.06
Earnings per share, EUR, diluted	0.19	0.03	613.4	-0.06
Equity per share, EUR	2.23	2.49	-10.4	2.05

**IFRS REPORTING**

Exel has applied IFRS reporting since the beginning of 2005. This interim report has been prepared in accordance with the recognition and measurement principles of IFRS, which are the same as in the 2006 financial statements.

The financial statements of Pacific Composites Pty. Ltd., which was acquired by Exel Oyj on 28 February 2006, are included in the consolidated financial statements as of 1 March 2006.

**NET SALES**

Exel's consolidated net sales for January-March grew by 12.5 per cent over the previous year to EUR 28.8 (25.6) million. The major part of the growth is stemming from the acquisition of Pacific Composites. The Sport Division's

cross-country and alpine products sales suffered from the mild winter and stiff competition. Additionally, the Sport Division's sales were impacted negatively by quality and delivery problems due to the transfer of the pole production to China.

**FINANCIAL PERFORMANCE**

Exel's operating profit for the first quarter increased to EUR 3.5 million, compared to EUR 0.6 million (including non-recurring items of EUR -1.9 million) the corresponding period last year. Operating profit as a percentage of net sales was 12.2 (2.4) per cent. The improvement of the operating profit is based on the restructuring measures taken in 2006 in the Sport Division, and the impact of the Pacific Composites acquisition.

The Group's net financial expenses were EUR 0.3 (0.2) million. The Group's pre-tax profit was EUR 3.2 (0.5) million, and profit for the reporting period totalled EUR 2.3 (0.3) million.

#### **BALANCE SHEET AND FINANCIAL POSITION**

The consolidated balance sheet total at the end of the reporting period stood at EUR 84.0 (83.9) million.

At the end of the reporting period, equity was EUR 26.6 (29.4) million, and the solvency ratio was 31.7 (35.1) per cent. Interest-bearing liabilities were EUR 35.4 (33.2) million, of which short-term liabilities accounted for EUR 9.9 (6.0) million. Net interest-bearing liabilities were EUR 29.5 (25.5) million, and the net gearing was 110.9 (86.7) per cent.

The cash flow from business operations in the first quarter was EUR -1.2 (1.3) million. At the end of the reporting period, the Group had liquid assets of EUR 5.9 million, compared with EUR 6.2 million at the end of 2006.

#### **CAPITAL EXPENDITURE**

The Group's capital expenditure totalled EUR 0.6 (0.8) million, used for maintenance and replacement purposes.

#### **PERSONNEL**

The number of people employed by the Exel Group on 31 March 2007 was 588 (621). Of these 239 (303) worked in Finland and 349 (318) abroad. The number of employees during the reporting period averaged 576 (518). The increase from last year is mainly due to the acquisition of Pacific Composites. At the same time, there was a reduction of personnel due to the restructuring of the Sport activities.

#### **CHANGES IN THE MANAGEMENT**

Mr. Aki Karihtala was appointed Managing Director of Exel Sports as of 1 March, following Mr. Mika Sulin who resigned on 28 February 2007.

#### **STRATEGIC REORIENTATION**

##### **Focus on Industry Division**

Through the acquisition of Pacific Composites, Exel established itself as the world's first truly international pultrusion company. The acquisition reinforced Exel's Industry Division in the growing Asian markets and improved the

company's ability to serve international customers. Exel will continue to invest in its core industrial business and to expand operations organically and through acquisitions.

The global pultrusion market is highly fragmented, but it is consolidating. Exel is in a strong position to lead this consolidation with bolt-on acquisitions and to reap benefits from synergies. Focusing Exel Group's resources on its core industrial business under a streamlined structure will provide a solid platform for building long-term shareholder value.

##### **Sports Brands business demerged into stand-alone company**

Notwithstanding its achievements in the industrial markets, Exel has built a significant Sports Brands consumer goods business with sales of EUR 19 million in 2006. Exel Sports Brands is the creator of the Nordic Walking and Nordic Fitness Sports™ concepts. It is a leading producer of poles and floorball sticks.

Exel Sports Brands is now separated from all other Exel activities. The 2006 restructuring program has adjusted the too heavy cost level to current sales in order to restore profitability of the business. Exel has also subcontracted all finishing, assembly and packaging operations for poles and floorball products to China. Exel Sports Brands has now been transformed from a technology driven organization to a truly market oriented company. Through the extensive restructuring measures, the competitive position of Exel Sports Brands has been reinforced, but the market conditions remain difficult. However, as Exel Sports Brands is no longer a core activity within the Exel Group, Exel reviews different structural alternatives and seeks a strategic partner with a long-term interest in developing the Exel Sports Brands company and contributing to its positive development.

#### **BUSINESS SEGMENTS**

The Group's operations are divided into two primary segments: the Industry Division and the Sport Division. The Industry Division includes all production activities in the company from 1 January 2007. Therefore Sports Industry business including Plastics operations in Germany and Mäntyharju operations in Finland, which earlier were part of the Sport Division, have been transferred to the Industry Division. The comparative divisional figures from 2006 have been changed correspondingly.

## INDUSTRY DIVISION

The Industry Division's key financial figures for the reporting period were as follows:

Industry Division Segment Key Figures, EUR 1,000	1.1.–31.3. 2007	1.1.–31.3. 2006	Change %	1.1.–31.12. 2006
Net sales	26.7	23.1	15.4	105.0
Operating profit	4.3	2.1	106.4	9.0
% of net sales	16.0	9.0		8.5
Average number of personnel	506	424	19.3	510

The Industry Division's net sales increased by 15.4 per cent from the previous year's level. Growth was mainly due to the integration of the Pacific Composites Group and new profile applications in the European units especially for building, construction and energy applications. The antenna profile market was down from last year. Strong efforts to introduce new applications for composite profiles were continued.

Profitability remained on a good level despite considerable increases in raw material prices. Part of this price pressure was successfully passed on within the production chain.

Operating profit grew by 106.4 per cent to EUR 4.3 million, up from EUR 2.1 (including EUR 1.5 million of non-recurring items) million a year earlier. This improvement in profitability was caused by higher sales volumes and productiv-

ity gains at the main factories. The Belgian factory in particular has achieved better productivity and operating profit than last year.

Short supply of certain carbon fibre types continued throughout the reporting period, and has still slowed down sales of some new applications. This will most probably continue during the whole year. Most carbon fibre suppliers have announced increase in production capacity. The resulting new capacity will be available on the market in stages during 2007–2008.

Synergies and benefits of integration of the Pacific Composites Group have been successfully gained. Exel is the only international pultrusion company capable to serve global OEM customers. Especially Exel's ability to serve its European and Australian customers in Asia has improved significantly.

## SPORT DIVISION

The Sport Division's key financial figures for the reporting period were as follows:

Sport Division Segment Key Figures, EUR 1,000	1.1.–31.3. 2007	1.1.–31.3. 2006	Change %	1.1.–31.12. 2006
Net sales	3.7	5.9	-36.9	19.3
Operating profit	-0.7	-1.6	-55.2	-9.4
% of net sales	-18.9	-26.6		-48.8
Average number of personnel	52	73	-28.8	69

The Sport Division's net sales decreased by 36.9 per cent from the previous year's level, mainly due to the mild winter, which also had a negative impact on reorders. In addition, Exel had delays in deliveries from its Chinese pole suppliers. Therefore, sales ended up substantially lower than previous year. The Nordic Walking market in Germany, however, has recovered slightly. Agreements have been signed with distributors in Italy, France and South-Korea to generate additional sales. The sales of floorball products have developed well during the quarter.

The Sport Division's operating loss was EUR -0.7 million (-1.2 million before non recurring items). Despite the fact that the margins were in line with expectations, the quarter resulted in an operating loss due to the substantially lower sales than previous year, especially in continental Europe. During the period measures were taken to improve the sourcing of sporting goods.

In February the entire Finnish Sports organization moved to a separate office in Vantaa.

## **SHARE CAPITAL AND MARKET CAPITALIZATION**

At the end of March, Exel's share capital was EUR 2,141,431.74 and the number of shares was 11,896,843. There were no changes in the share capital during the period.

Based on the closing price in the reporting period, market capitalisation totalled EUR 154.7 (168.8) million.

## **SHARES TRADED ON THE OMX HELSINKI STOCK EXCHANGE**

During the reporting period 689,368 (2,574,569) shares were traded, accounting for 5.8 (22.3) per cent of the average number of outstanding shares.

The highest share quotation during the reporting period was EUR 14.00 (14.84) and the lowest EUR 12.50 (10.80). The share price closed at EUR 13.00 (14.59). The average share price during the reporting period was EUR 13.23 (12.99).

## **DISCLOSURES OF CHANGES IN HOLDINGS**

No shareholders' disclosures of changes in holdings in the company were received by Exel.

## **EVENTS AFTER THE PERIOD**

The Annual General Meeting of Exel Oyj was held on 19 April 2007. The accounts of the Group were approved and the members of the Board of Directors and the President were discharged from liability for the financial year 2006. The AGM approved the proposal to distribute a dividend of EUR 0.20, corresponding to a total dividend of EUR 2,379,368.60 based on the number of shares on the date of the AGM. It also authorised Exel's Board of Directors to acquire and convey the company's own shares, and to increase the company's share capital by a maximum of EUR 100,000.

The AGM confirmed the number of members of the Board of Directors as five and elected a new Board. Kari Haavisto, Peter Hofvenstam, Vesa Kainu, Esa Karppinen and Ove Mattsson were re-elected to the Board. Ove Mattsson was re-elected Chairman of the Board.

## **OUTLOOK**

During 2007, the Group will concentrate on restoring the profitability. The focus on the primary business segment of the Group, the Industry Division, will be sharpened and a new business organization will be introduced. The Group will benefit further from the acquisition of Pacific Composites and the restructuring measures implemented at enhancing efficiency and cutting costs. Although the important antenna profile sales will continue to slightly decline the overall market development for the Industry Division is expected to remain positive.

The Sport Division is improving its negative performance, but due to a mild winter with low sales and prolonged sourcing problems, the profitability will improve slowly.

The primary business risks in 2007 lie in market demand, both in certain Industry and Sport segments, especially Nordic Walking; in the efficient sourcing, as well as in a continued shortage of carbon fibre.

For the full-year 2007, Exel expects the profit before taxes to improve compared with the 2006 result before taxes and non-recurring items.

Vantaa, 25.4.2007

Exel Plc  
Board of Directors

**CONDENSED CONSOLIDATED INCOME STATEMENT (unaudited)**

EUR 1,000	1.1.-31.3. 2007	1.1.-31.3. 2006	Change %	1.1.-31.12. 2006
Net sales	28,797	25,600	12.5	112,395
Other operating income	44	30	46.7	145
Operating expenses	-24,231	-23,173	-4.6	-106,046
Depreciation and impairment	-1,084	-1,854	41.5	-6,108
Operating profit	3,526	603	484.7	386
Net financial items	-340	-151	-125.2	-1,067
Profit before tax	3,186	452	604.9	-681
Income taxes	-882	-129	-583.7	-52
Profit/loss for the period	2,304	323	613.3	-733
Attributable to:				
Equity holders of the parent company	2,304	326		-724
Minority interest	0	-3		-10
Earnings per share, EUR	0.19	0.03	598.7	-0.06
Earnings per share, EUR, diluted	0.19	0.03	613.4	-0.06

**CONDENSED CONSOLIDATED BALANCE SHEET**

EUR 1,000	31.3.2007	31.3.2006	Change	31.12.2006
<b>ASSETS</b>				
Non-current assets				
Goodwill	10,027	14,122	-4,095	10,107
Other intangible assets	2,995	834	2,161	3,158
Tangible assets	18,478	20,299	-1,821	18,766
Deferred tax assets	2,340	1,933	407	2,200
Other non-current assets	77	70	7	76
Non-current assets total	33,917	37,258	-3,342	34,307
Current assets				
Inventories	22,301	19,847	2,454	19,975
Trade and other receivables	21,121	19,088	2,033	20,695
Other liquid assets	0	829	-829	0
Cash at bank and in hand	5,884	6,829	-945	6,199
Current assets total	49,306	46,594	2,712	46,869
Non-current assets held for sale	746	0	746	748
<b>Total assets</b>	<b>83,969</b>	<b>83,852</b>	<b>117</b>	<b>81,924</b>
<b>EQUITY AND LIABILITIES</b>				
Shareholders' equity				
Share capital	2,141	2,083	58	2,141
Share issue	0	2,789	-2,789	0
Share premium reserve	8,492	5,417	3,075	8,492
Retained earnings	13,642	18,775	-5,133	14,453
Profit for the period	2,304	326	1,978	-724
Attributable to:				
Equity holders of the parent company	26,579	29,390	-2,811	24,363
Minority share	0	7	-7	0
<b>Total equity</b>	<b>26,579</b>	<b>29,397</b>	<b>-2,818</b>	<b>24,363</b>
Non-current liabilities				
Interest-bearing liabilities	25,451	27,135	-1,684	25,752
Deferred tax liabilities	888	1,205	-317	1,091
Current liabilities				
Interest-bearing liabilities	9,910	6,018	3,892	7,934
Trade and other non-current liabilities	21,142	20,095	1,047	22,782
<b>Total liabilities</b>	<b>57,390</b>	<b>54,455</b>	<b>2,935</b>	<b>57,561</b>
<b>Total equity and liabilities</b>	<b>83,969</b>	<b>83,852</b>	<b>117</b>	<b>81,924</b>

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

EUR 1,000	Share Capital	Share Issue	Share Premium Reserve	Retained Earnings	Minority Interest	Total
Balance at 1 January 2006	2,070	287	5,142	19,530	10	27,039
Share issue	13	2,502	274	0	0	2,789
Exchange rate differences	0	0	0	-681	0	-681
Other items	0	0	0	-73	0	-73
Dividend				0		0
Profit for the period				326	-3	326
Balance at 31st March 2006	2,083	2,789	5,417	19,101	7	29,397
Balance at 1st January 2007	2,141	0	8,492	13,729	0	24,363
Share issue	0	0	0	0	0	0
Exchange rate differences	0	0	0	-87	0	-87
Other items	0	0	0	0	0	0
Dividend				0		0
Profit for the period				2,304	0	2,304
Balance at 31st March 2007	2,141	0	8,492	15,946	0	26,579

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

EUR 1,000	1.1.-31.3. 2007	1.1.-31.1. 2006	Change	1.1.-31.3. 2006
<b>Cash Flow from Operating Activities</b>				
Profit for the period	2,304	323	1,981	-733
Adjustments	2,283	2,913	-630	9,330
Change in working capital	-4,409	-387	-4,022	245
Cash Flow Generated by Operations	178	2,849	-2,671	8,842
Interest paid	-610	-193	-417	-998
Interest received	107	40	67	195
Other financial items	0	0	0	8
Income taxes paid	-883	-1,385	502	-2,819
Net Cash Flow from Operating Activities	-1,208	1,311	-2,519	5,228
<b>Cash Flow from Investing Activities</b>				
Acquisitions	0	-18,687	18,687	-18,279
Capital expenditure	-587	-848	261	-2,655
Proceeds from sale of fixed assets	0	0	0	0
Other cash flow from investing activities	0	0	0	0
Cash Flow from Investing Activities	-587	-19,535	18,948	-20,934
<b>Cash Flow from Financing</b>				
Share issue	0	2,789	-2,789	3,134
Proceeds from long-term borrowings	0	18,000	-18,000	18,000
Instalments of long-term borrowings	-611	-608	-3	-1,991
Change in short-term loans	2,185	16	2,169	2,079
Instalments of finance lease liabilities	-94	-93	-1	-375
Dividends paid	0	0	0	-4,720
Net Cash Flow from Financing	1,480	20,104	-18,624	16,127
Change in Liquid Funds	-315	1,880	-2,195	421
Liquid funds in the beginning of period	6,199	5,778	421	5,778
Change in liquid funds	-315	1,880	-2,195	421
Liquid funds at the end of period	5,884	7,658	-1,774	6,199

## QUARTERLY KEY FIGURES

EUR 1,000	I/2007	IV/2006	III/2006	II/2006	I/2006
Net sales by segment					
Industry	26,697	27,260	27,691	26,869	23,130
Sport	3,727	4,972	4,475	3,913	5,910
Intra Group sales	-1,628	-1,871	-3,638	-2,875	-3,440
Net sales, total	28,797	30,361	28,527	27,907	25,600
Operating profit by segment					
Industry	4,283	-2,790	1,984	2,101	2,075
Sport	-704	-2,311	-3,602	-1,912	-1,573
Intra Group items	-53	160	597	-23	100
Operating profit, total	3,526	639	-1,020	164	603
Net financial items	-340	-331	-258	-327	-151
Profit before taxes	3,186	307	-1,278	-162	452
Income taxes	-882	-325	258	144	-129
Profit for the period	2,304	-18	-1,020	-18	323
Earnings per share, EUR	0.19	0.00	-0.09	0.00	0.03
Earnings per share, EUR, diluted	0.19	0.00	-0.09	0.00	0.03
Average number of shares, undiluted, 1,000 shares	11,897	11,897	11,897	11,873	11,652
Average number of shares, diluted, 1,000 shares	11,897	11,897	11,897	11,873	11,896
Average number of personnel	576	556	644	652	518

## COMMITMENTS AND CONTINGENCIES

EUR 1,000	31.3.2007	31.3.2006	31.12.2006
On own behalf			
Mortgages	2,953	2,953	2,953
Corporate mortgages	12,500	12,500	12,500
Lease liabilities			
– in next 12 months	527	184	554
– in next 1–5 years	2,254	223	2,246
Other commitments	589	64	805

## DERIVATIVE FINANCIAL INSTRUMENTS

Nominal values, EUR 1,000	31.3.2007	31.3.2006	31.12.2006
Foreign exchange derivatives			
Forward contracts	8,269	8,594	8,269
Purchased currency options	3,038	1,637	3,086
Sold currency options	1,898	811	1,922
Interest rate derivatives			
Interest rate swaps	777	6,332	860
Purchased interest rate options	4,667	0	4,667



## CONSOLIDATED KEY FIGURES

EUR 1,000	1.1.–31.3. 2007	1.1.–31.3. 2006	Change %	1.1.–31.12. 2006
Net sales	28,797	25,600	12.5	112,395
Operating Profit	3,526	603	484.7	386
% of net sales	12.2	2.4		0.3
Profit before tax	3,186	452	604.9	-681
% of net sales	11.1	1.8		-0.6
Profit for the period	2,304	323	613.3	-733
% of net sales	8.0	1.3		-0.7
Shareholders' equity	26,579	29,390	-9.6	24,363
Interest-bearing liabilities	35,360	33,154	6.7	33,687
Cash and cash equivalents	5,884	7,318	-19.6	6,199
Net interest-bearing liabilities	29,476	25,496	15.6	27,488
Capital employed	61,939	62,551	-1.0	58,050
Return on equity, %	36.2	4.6		-2.9
Return on capital employed, %	24.3	5.0		1.2
Equity ratio, %	31.7	35.1		29.9
Net gearing, %	110.9	86.7		112.8
Capital expenditure	587	16,958	-96.5	19,863
% of net sales	2.0	66.2		17.7
Research and development costs	815	492	65.7	2,169
% of net sales	2.8	1.9		1.9
Order stock	14,614	13,718	6.5	15,040
Earnings per share, EUR	0.19	0.03	598.7	-0.06
Earnings per share, EUR, diluted	0.19	0.03	613.4	-0.06
Equity per share, EUR	2.23	2.49	-10.4	2.05
Average number of shares				
– cumulative	11,897	11,652	2.1	11,830
– cumulative, diluted	11,897	11,896	0.0	11,847
Average number of employees	576	518	11.2	600

**Exel Oyj**

Uutelantie 24 B, PB 29  
52700 Mäntyharju, Finland  
Tel. +358 20 754 1200  
Fax +358 20 754 1202

**Exel Oyj, Kivara factory**

Muovilaaksontie 2  
82110 Heinävaara, Finland  
Tel. +358 20 754 1200  
Fax +358 20 754 1330

**Exel Sports Oy**

Valimotie 7  
01510 Vantaa, Finland  
Tel. +358 20 7541 200  
Fax +358 20 7541 214

**Exel GmbH**

Hofmühlstrasse 34  
83071 Stephanskirchen  
Deutschland  
Tel. +49 8031 27450  
Fax +49 8031 2475 318

**Exel Sports NA**

133 Elm Street  
Winooksii, Vermont 05404  
USA  
Tel. +1 802 846 5565  
Fax +1 802 846 5561

**Exel Composites N.V.**

Industriepark De Bruwaan 2  
BE-9700 Oudenaarde  
Belgium  
Tel. +32 (55) 33 30 11  
Fax +32 (55) 33 30 40

**International Gateway AB**

Furunäsvägen 105  
S-941 52 Piteå  
Sweden  
Tel. +46 911 66501  
Fax +46 911 66 142

**Exel Composites GmbH**

Industriestrasse – West 8  
8605 Kapfenberg, Austria  
Tel. +43 3862 33 180  
Fax +43 3862 33 18025

**Nordic Sports Products  
(Beijing) Ltd**

No. 11 Ti Yu Guan Road  
Chong Wan District  
Beijing 100061, China  
Tel. +86 10 671 83808  
Fax +86 10 671 83808

**Pacific Composites Pty. Ltd.**

991 Mountain Highway Boronia  
Victoria 3155, Australia  
Tel. +61 3 8727 9600  
Fax +61 3 8727 9688

**Pacific Composites Pty. Ltd.**

15 Ada Street Coopers Plains  
Queensland 4108, Australia  
Tel. +61 7 3274 1099  
Fax +61 7 3274 2041

**Pacific Composites**

(Nanjing) Co. Ltd.  
No 2120, Cheng Xin  
Da Dao Science Park  
Jiangning, Nanjing 21112,  
China  
Tel. +86 25 5216 4669  
Fax +86 25 5216 4993

**Fibreforce Composites Ltd**

Fairoak Lane, Whitehouse  
Runcorn, Cheshire WA7 3DU  
Great Britain  
Tel. +44 1928 701515  
Fax +44 1928 713 572